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STATE FOR WHA/AND
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SUBJECT: ECONOMIC PLANNING MINISTER VAGUE ON PLANS

REF: A. A) LA PAZ 351

[1](#)B. B) LA PAZ 386

[1](#)1. (SBU) Summary: In a courtesy call with the Ambassador on February 10, Minister of Development Planning Carlos Villegas, President Morales' paramount advisor on economic issues, spoke of the GOB's plan to achieve "productive development and social inclusion," but gave few concrete details about how these goals were to be achieved. He discussed his plan to create competent teams of permanent staff within each ministry to reduce the GOB's reliance on consultants and acknowledged that the Ministry of Finance would be under the tutelage of Planning, but stated that all other ministries would have relative autonomy. He explained that his ministry would coordinate with the other ministries to create a development plan within the next three months. Once formulated, the GOB would seek international support for this plan, including at a Paris Club meeting the GOB hoped to convene in La Paz in June or July. Villegas was optimistic about negotiations with the hydrocarbons companies, which he said seemed disposed to come to agreement with the GOB. He stated that the GOB would not bail out Lloyd Aero Boliviano (LAB), but would seek to find a solution together with the LAB President during the 90-day period of government intervention (ref A). During this first meeting with the Ambassador, Villegas appeared almost blithely unaware of practical realities, raising neither the topic of a free trade agreement nor the possibility of access to Millennium Challenge funds. End Summary.

Villegas' Theoretical Plan Lacks Concrete Details

[1](#)2. (SBU) In a February 10 courtesy call, Minister of Development Planning Carlos Villegas told the Ambassador that his ministry would lead the government's efforts during the next three months to design a national development plan that would promote production and social inclusion. "We seek to redesign the relationship between the worker and the state," said Villegas. After this plan was devised, he said, the GOB would seek international and donor support. He alluded to the possibility of Consultative Group and Paris Club meetings

in La Paz during June or July.

¶3. (SBU) Villegas lamented that the MAS administration came into power and found a weak state lacking vision and dependent on consultants. For example, he said the former Ministry of Indigenous Affairs was 100% dependent on support from Denmark. He explained that the MAS administration wanted to strengthen the system by creating competent teams of permanent staff within each ministry during the next six months. He stated that he did not believe the executive branch salary cuts would hinder this goal, as Bolivia was plagued with professional unemployment and the state remained the principal option. He acknowledged that it would be necessary to continue contracting consultants with needed expertise (lawyers and engineers) in the Hydrocarbons Ministry.

LOPE: The Plan for the Ministry Structure

¶4. (SBU) Villegas predicted that the law restructuring the executive power (LOPE) would be approved by Congress the week of February 13. Once the law was approved, Villegas' Ministry of Sustainable Development would morph into the Ministry of Development Planning, a super-ministry that would oversee the works of the Finance Ministry (ref B). Villegas explained that, although the state would participate in the hydrocarbons, mining, and water sectors, those ministries would have relative autonomy. Villegas envisioned the role of his ministry as a coordinator between, rather than director of, all of the ministries (with the exception of Finance). He stated that the GOB would respect the independence of the Central Bank, but that he would seek increased coordination between the Planning Ministry, the

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Finance Ministry, and the Central Bank.

Optimistic on Hydrocarbons

¶5. (SBU) Villegas said that the GOB would complete the design of its hydrocarbons policy within a few days. GOB representatives have held initial meetings with hydrocarbons companies during the past two months, and according to Villegas, the companies have shown a "good disposition" to work with the government. Villegas claimed that the companies were eager to come to agreement with the GOB, because the MAS government could offer them legal and social security. (Note: The companies, indeed, seem disposed to come to agreement, but rather out of resignation than because of confidence in "legal security". End note.)

LAB Question Unsolved

¶6. (SBU) Villegas stated that the partially-privatized LLOYD Aero Boliviano airline has experienced a financial crisis since the end of the 1990s, accumulating over USD 150 million in debt and defaulting on pension, tax, salary, and insurance payments. Due to LAB's trend towards bankruptcy and the recent pilots' strike, the GOB requested financial information about the company and found that the company's Board had only approved its financial reports through 2003. In order to get a reliable picture of the financial situation in 2004 and 2005, the GOB ordered a fact-finding, 90-day intervention in which a GOB-appointed intervenor would manage the company. After the 90-day period, Villegas said that the GOB would work together with LAB management to find a solution, but would not take on LAB's debt (ref A).

¶7. (SBU) Comment: Villegas' notions of social engineering and faith in state planning seem ungrounded in present economic/global reality. Perhaps reflecting his exclusively academic background, Villegas appears to be absorbed in theory and to lack focus on practical issues, as demonstrated by his raising neither the prospects for a free trade agreement nor access to Millennium Challenge funds during the meeting. In fact, Villegas curiously failed to ask one

question during this first meeting, seeming oblivious to the U.S. role in Bolivia's economy, whether through investment, trade, or direct financial assistance. End comment.
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